CONTRACT REPORTED

03 DEC 31 FH 1:00

THE VELOCITY FOUNDATION

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

June 30, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public Inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-11-04

CASCIO, DAVIS & SCHMIDT, LLP
Certified Public Accountants

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Cascio, Davis & Schmidt, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Francis J. Cascio, CPA Jan E. Davis, CPA Steven A. Schmidt, CPA Members
American Institute of Certified
Public Accountants
Society of Louisiana Certified
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Velocity Foundation

We have audited the accompanying statement of financial position of The Velocity Foundation (a non-profit corporation) as of June 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The Velocity Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Velocity Foundation as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with <u>Government Auditing Standards</u>, we have also issued a report dated December 23, 2003, on our consideration of The Velocity Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Velocity Foundation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cascio, Davie V Schmidt, RRP

Metairie, Louisiana December 23, 2003

STATEMENT OF FINANCIAL POSITION

June 30, 2003

ASSETS

Cash	6,288
Grants Receivable (Notes A6 and B)	\$ 51,939
Property & Equipment (Notes A3 and C)	408,974
Total Assets	\$ <u>467,201</u>

LIABILITIES AND NET ASSETS

Accounts Payable & Accrued Liabilities	\$ 50,692
Long-Term Debt (Note D)	114,976
Total Liabilities	165,668
Net Assets	
Unrestricted	249,594
Temporarily Restricted	51,939
Total Net Assets	301,533
Total Liabilities & Net Assets	\$ <u>467,201</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2003

	<u>U</u>	NRESTRICTED	•	PORARILY STRICTED		TOTAL Year Ended June 30, 2003
REVENUES						
Grant Appropriations	.\$	0	\$	460,699	\$	460,699
Program Fees		205,649		0		205,649
Other		109,913		0		109,913
Net Assets Released From						
Restrictions		453,370		(453,370)		0
Total Revenues	-	768,932		7,329	-	776,261
EXPENSES						
Personnel Costs		361,315		0		361,315
Contractual Services		164,391		0		164,391
Travel		8,529		0		8,529
Supplies		1,759		0		1,759
Occupancy		17,502		0		17,502
Postage & Printing		2,451		0		2,451
Professional Fees		40,809		0		40,809
Telephone		8,972		0		8,972
Utilities		20,730		0		20,730
Insurance		33,953		0		33,953
Repairs & Maintenance		17,827		0		17,827
Other Program Expense		52,067		0		52,067
Bank Charges		1,585		0		1,585
Interest Expense		10,649		0		10,649
Depreciation Expense		19,510		0		19,510
Total Expenses	_	762,049	_	0	-	762,049
Increase in Net Assets		6,883		7,329		14,212
Net Assets, Beginning of Year (Note A2)	_	242,711	_	44,610	-	287,321
Net Assets, End of Year	\$_	249,594	\$	 51,939	\$_	301,533

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2003

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities: Increase in Net Assets Adjustments to Reconcile Increase in Net		\$	14,212
Assets to Net Cash Provided By in Operating Activities:	10.510		
Depreciation Change in Appear and Trial 1941.	19,510		
Changes in Assets and Liabilities:	(## 200)		
Increase in Grants Receivable	(\$7,329)		
Increase in Accounts Payable and			
Accrued Liabilities	29,237		41,418
Net Cash Provided by Operating Activities		_	55,630
Cash Flows from Financing Activities:			
Payments on Note Payable			(49,058)
Net Cash Used in Financing Activities			(49,058)
Cash Flows from Investing Activities:			
Net Cash From Investing Activities			0
Net Increase in Cash and Cash Equivalents			6,572
Cash and Cash Equivalents, Beginning of Year			(284)
Cash (Cash Overdraft) and Cash Equivalents, End of Year		\$	6,288

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

The Velocity Foundation is a non-profit, community-based corporation organized to provide a variety of services, specifically drug abuse awareness programs, teen pregnancy and HIV/AIDS prevention programs and child care programs.

2. Presentation of Financial Statements

The Velocity Foundation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations". Accordingly, the net assets of the foundation are classified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Property and Equipment

The Velocity Foundation records property acquisitions at cost. Donated assets are recorded at estimated value at date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -Continued

4. Revenue Recognition

For financial reporting, The Velocity Foundation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is recognized as it is earned in accordance with approved contracts.

5. Cash Equivalents

For purposes of the Statement of Cash Flows, The Velocity Foundation considers all demand deposits to be cash equivalents.

6. Receivables

The Velocity Foundation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts become uncollectible, they will be charged to operations when that determination is made.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

8. Fair Values of Financial Instruments

The carrying amounts of cash and cash equivalents reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE B - GRANTS RECEIVABLE AND GRANT REVENUE

Grants receivable and grant revenue at June 30, 2003 are as follows:

	Grants <u>Receivable</u>	Grant Revenue For the Year
Louisiana Department of Education		
Child & Adult Care Food Program	\$ 5,231	\$ 35,800
Community-Based Tutorial Program	2,917	11,216
Louisiana Department of Health & Hospitals		
Youth Educational Services Program	3,639	66,556
Youth Educational Services Persons		
Plus Program	0	63,854
Youth Educational Services Outreach		
(Pre-treatment) Program	0	105,625
Louisiana Department of Health & Human Service	es	
HIV/AIDS and Substance Abuse		
Education and Prevention Awareness	18,388	39,220
Louisiana Department of Social Services		
Teen Pregnancy Prevention Program	5,109	83,778
Baptist Community Ministries		
Reclaiming Our Youth Program	16,655	<u>54,650</u>
	<u>\$ 51,939</u>	<u>\$ 460,699</u>

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2003 consists of the following:

Buildings and improvements	\$456,246
Vehicles	81,040
Furniture, fixtures & equipment	<u>18,605</u>
	555,891
Less accumulated depreciation	<u>(146,917)</u>
	<u>\$408,974</u>

Depreciation amounted to \$19,510.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE D - LONG-TERM DEBT

Long-term debt consists of the following:

Installment note payable to bank in monthly installments of \$1,181, including interest at 7.75%, final payment due 6/30/05.	\$ 16,853
Installment note payable to bank in monthly installments of \$1,559, including interest at 7.75%, final payment due 6/30/06.	47,916
Installment note payable to bank in monthly installments of \$1,185, including interest at 9.5%, final payment due 6/30/05.	18,757
Installment note payable to bank in monthly installments of \$469, including interest at 10%, final payment due 6/30/03.	4,558
Installment note collateralized by an automobile payable to a financial institution in monthly installments of \$459, including interest at 16.65%, final payment 6/30/03.	7,981
Installment note collateralized by an automobile payable to a financial institution in monthly installments of \$931, including interest at 12%, final payment 12/27/03.	<u> 18,911</u>
	<u>\$114,976</u>

Maturities of long-term debts are as follows:

Years Ending June 30.	<u>Amount</u>
2004	58,993
2005	38,783
2006	<u>17,200</u>
	<u>\$114,976</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE E - INCOME TAXES

The Velocity Foundation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE F - CASH FLOW INFORMATION

The interest paid for the year ended June 30, 2003 totaled \$10,649.

NOTE G - BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE H - ECONOMIC DEPENDENCY

The Velocity Foundation is supported primarily through government grants passed through the State of Louisiana. The grant amounts are appropriated each year by the federal government. If significant budget cuts are effected at the federal level, the amount of the funds the foundation receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the foundation will receive in the next fiscal year. Approximately 62% of the foundation's support for the year ended June 30, 2003, was received from these grants.

SUPPLEMENTAL INFORMA	TION	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2003

PROGRAM PROGRAM	CFDA#	EXPENDITURE	<u>:s</u>
U.S. DEPARTMENT OF EDUCATION			
Funds passed through the Louisiana Department of Education:			
Child & Adult Care Food Program	10.558	\$ 35,800	
U.S. DEPARTMENT OF HEALTH & HUMAN RESOURCES			
Funds passed through the Louisiana Department of Health & Hospitals:			
Youth Educational Services Program	93.951-BG	66,556	
Youth Educational Services Persons Plus Program	93.951-BG	63,854	
Youth Educational Services Outreach (Pre-Treatment) Program	93.951-BG	105,625	
Funds passed through the Louisiana Department of Health & Human Services:			
HIV/AIDS and Substance Abuse Education & Prevention Awareness	93.230	39,220	
Funds passed through the Louisiana Department of Social Services:			
Teen Pregnancy Prevention Program (MADIC)	93.575	83,778	
Total Federal Awards		\$ <u>394,833</u>	
•			

Note to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

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CASCIO, DAVIS & SCHMIDT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Francis J. Cascio, CPA Jan E. Davis, CPA Steven A. Schmidt, CPA MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Velocity Foundation

We have audited the financial statements of The Velocity Foundation (a nonprofit corporation) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Velocity Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and preforming our audit, we considered The Velocity Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cascis, Davis & Achmidl. & R.

Metairie, Louisiana December 23, 2003 CD&S

CASCIO, DAVIS & SCHMIDT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Francis J. Cascio, CPA Jan E. Davis, CPA Steven A. Schmidt, CPA Members
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
The Velocity Foundation

Compliance

We have audited the compliance of The Velocity Foundation (a nonprofit corporation) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major Federal programs for the year ended June 30, 2003. The Velocity Foundation' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Velocity Foundation's management. Our responsibility is to express an opinion on The Velocity Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Velocity Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Velocity Foundation' compliance with those requirements.

In our opinion, The Velocity Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of The Velocity Foundation is responsible for establishing and maintaining effective internal control over compliance with requirement of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Velocity Foundation's internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness in a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cascio, Davis & Schmidt, 28P.

Metairie, Louisiana December 23, 2003

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2003

A. SUMMARY OF THE AUDITOR'S RESULTS

- 1. An unqualified opinion was issued on the financial statements of the auditee.
- The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- 3. The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- 4. The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- 5. An unqualified opinion was issued on compliance for major programs.
- The audit disclosed no reportable conditions which are required to be reported under Section 501(a) of Circular A-133.
- 7. Major programs for the year ended June 30, 2003, were as follows:

Louisiana Department of Health & Human Services
HIV/AIDS and Substance Abuse Education and Prevention
Awareness (CFDA #93.230)

Louisiana Department of Health & Hospitals

CFDA #93.951-BG

Youth Educational Services

Youth Educational Services Persons Plus

Youth Educational Services Outreadh (Pre-treatment)

- 8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000. Since no programs qualified for Type A, two Type B programs were distinguished as Type A programs to satisfy the percentage of coverage rule (50%).
- 9. The auditee did not qualify as a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2003

B. <u>FINDINGS - FINANCIAL STATEMENTS AUDIT</u>

There were no findings related to the financial statements for the year ended June 30, 2003.

C. SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no prior year or current year audit findings. There were no questioned costs for the prior year or the current year.